



February 11, 2014

Representative Nancy Jenkins
Anderson House Office Building
Lansing, MI 48933

Dear Representative Jenkins:

I have had a chance to take a look at HB 5273. I believe the general idea of allowing Michigan-based exchanges makes sense. One of the risks when investing in a start-up or any small company is how liquid is the market for the stock you have purchased. Allowing exchanges broadens the market for equities and therefore should improve liquidity, reduce risk, and result in prices of the equity that are reflective of the underlying value of the business. One of the problems in the Great Recession was a liquidity crisis where financial institutions and others were not able to sell their assets (in particular CDOs) or only able to sell them at deeply discounted prices.

Unfortunately, I am not knowledgeable enough about the mechanics of stock exchanges or securities law to be able to testify whether or not provisions of this bill will conflict with Federal securities law or have technical unintended consequences that I am not aware of. I briefly discussed this with our finance professor at Hillsdale College, Dr. David Basterfield, and he is in agreement with me that this will improve the ability of Michigan-based start-ups to raise capital. As is the case with me, he doesn't feel knowledgeable enough of the mechanics of how an exchange might be structured to testify on the bill.

Sincerely,

Gary Wolfram, Ph.D.
President